

Chief of Naval Operations Adm. Jonathan Greenert
Pentagon Press Brief
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ADM. GREENERT: Good morning. And thanks for the opportunity to get back together. It's been a little while, and I appreciate your time here this morning.

I was recently reminded -- in fact, last night again and early last week -- why we are the finest Navy. I had the honor and privilege last night of taking part in the Military Times Sailor of the Year Award. And some of you in here helped support that, and I just want to say thank you very much. It's amazing what our sailors, airmen, soldiers and Coast Guardsmen and Marines are doing out there, so thanks again for your support in that regard.

And a trip to the George Bush last week to see the unmanned aerial system landing reminded me, again, these folks that we have out there, many of you support them. Some of you went out there and recorded that. And I thank you very much for showing our sailors in their environment.

This month was the -- is the 40th anniversary of the all-volunteer force, and it reminds all of us that is, in my view, our real asymmetric advantage out there. Technology and all being what it is, it's really our people. And I'm proud to represent the 320,000 active-duty, about 110,000 reservists, and 200,000 Navy civilians in your U.S. Navy.

So I'd like to update you a little bit before we take questions and answers on where we are and what's kind of going on out there. Talk about the Navy today for a bit, impacts to sequestration and some of our personnel challenges.

So could I get the Navy slide today up there, please? Thank you. I think you have this as part of the handout, but this is where your Navy is today. Presence remains our mandate. This is what we're mostly about. And it's a central element of our defense strategic guidance.

As you can see, we have about 95 ships deployed, and about 3,700 operational aircraft are also out there. I'll tell you, since sequestration sort of set in with the impact of a continuing resolution, we're down about 10 ships from, say, about a year ago or actually several months ago, forward deployed. So there is an impact.

But as they go around the world, starting in the Eastern Mediterranean, the United States ship Kearsarge and the San Antonio are positioned in the -- in the North Red Sea today. And to be clear, they haven't received any official tasking, but they are ready, with a range of missions and operations that they could do, if required. The ship count in the Mediterranean is a little higher than it may notionally be in our deployment scheme through the years, and it has been that way for several months, just through the dynamics of that part of the world.

I'll tell you, there's nothing new in the region to pass to you that you haven't already

reported on today. But, again, your Navy brings a range of operations, if called upon.

In the North Arabian Sea, the Nimitz is there conducting operations, and she's supporting ground operations in Afghanistan, with close air support, about 30 missions a day, which is about a third of the total close air support, and she's conducting maritime security in the region.

I'll tell you that piracy in that region, that Gulf of Oman, North Arabian Sea, is slowly increasing a bit, and it's becoming a little bit more of a concern.

Off the coast of Australia, in the Coral Sea here in the lower right portion right here, we have today ongoing -- a biennial exercise called Talisman Saber. They started on Sunday, and this is a big operation we have with the Australian Defense Force, 24 ships involved, 14 of ours, 10 of Australia, about 28,000 people, all told. And this exercise, very important and a major part of our rebalance to the Asia Pacific. And I can discuss this -- and a trip I had to Asia about two months ago in the Qs and A's, if you choose.

In the Southern Command, sequestration has effectively caused us to reduce our combatant ships to zero. You can see up there. I tell you, there are other naval forces in the region, non-combatant ships and other forces, but we're zero today. And that was a deliberate decision approved by the secretary of defense as part of our global force management operation.

I would tell you, it'll undulate a little bit somewhere around zero, one or two as we go through the process. And for your information, the Joint High Speed Vessel, our first, called the Spearhead, will deploy to the Southern Command area of operations here for several months in fiscal year '14. So I'll address that a little bit later on sequestration impact here, but bottom line, presence forward, assuring our allies, and deterring potential adversaries is our primary function, and I think we're out there at what I call the maritime crossroads, where it matters, when it matters.

So a little bit on the -- the budget and sequestration, it's on my mind daily, and the fiscal year '13 appropriation bill helped us quite a bit. We're out there today with one carrier strike group and one amphibious ready group deployed to each theater, so we've got one in the Arabian Gulf region and one in the Western Pacific of each. But the issue is, the backup -- that would be the surge force -- we're not where we need to be in that regard. We have today one carrier strike group and one amphibious ready group ready to deploy with all the capabilities that we have in our covenant to our combatant commanders. The rest of the fleet is not ready to deploy with all the capabilities that are needed that we would normally have in our fleet response plan, and that's really the issue that we have there.

A year ago, I would tell you, we had three carrier strike groups and three amphibious ready groups ready to surge. And if there were a contingency, we had to take on a large operation, the surge force would be a concern, and the concern would be the capabilities that we would bring and whether or not they were the right capabilities.

It may not be readily apparent to many, because as you look out there, you say, hey, it

kind of looks the same out there. But it's -- it's the surge issue, and it's a real issue.

Now, for the remainder of the year, this year, this fiscal year, we'll be adjusting our operations and maintenance spending to meet, really, the FY [fiscal year] '14 deployments. The kids are training and doing maintenance this year for next year's deployments. And we have a plan in place, working with the Congress on a reprogramming, to restore the maintenance availabilities that we had set aside due to our budgetary issues earlier in the year. And we're trying to maintain as much of our training operations as feasible, for the reasons I've said before.

My real concern tends to be the shore facilities and the shore readiness. They're taking the brunt of this reduction here in '13, both in the case of the continuing resolution and sequestration. And I'm looking very closely at this. We are effectively doing no projects, no restoration or modernization projects, and we have taken our base operations and our sustainment, the very basic things, down to really the minimum that we think is safe and appropriate.

Turning quickly to '14, we're still working to understand the fiscal situation, if sequestration is the -- really, the rule of the day, and looking at all of the programs and all of the appropriations. The simple math is, it'll cause each account to go down 10 percent. That's what sequestration is. It's an algorithm.

For the Navy -- for the Department of Defense, it's \$52 billion. For the U.S. Navy, it's about \$14 billion. Now, if manpower were excluded, as we did in '13, and we're still deliberating on that, all the accounts would go down 14 percent, because when you exclude one, it all goes to the other accounts.

The difference in '13 and '14 is, in '13, in our investments accounts, when sequestration set in, where we had to do the reductions, we had what we call prior-year money. We had money available from previous appropriations and laws coming in that we used to get us through '13. That's not available in '14. And so the impact on the investments accounts will be deeper cuts and a concern.

My goal, the secretary's goal would be to preserve shipbuilding and those ship contracts and those aviation contracts as much as possible, meet our forward presence requirements, as I mentioned before, and -- because -- and make sure we hold onto multiyear procurement. That is the most efficient way to purchase equipment and platforms. But, again, as we do that, that money -- those reductions are real, and they'll take place in other accounts, as the case may be.

In fiscal year '14, as we look at it now, I think there will be a significant reduction in our surface ship availabilities, subject to a change. About half of the 60 availabilities that we have planned will have to be deferred. You can't buy those back right away. Ship is available for a maintenance period. If you don't do that maintenance period and that ship is then called out to do other things, it's a missed opportunity. So it takes time to get back.

Reduced certification training in FY '14 would affect FY '15 deployers, so we've got to reconcile that. We've got to watch our air wing readiness, folks coming back and shutting down

due to inability to have money because they're not deploying right away. You can't get down far, deep into the readiness bathtub, as we would call it. It makes it that much harder to get out, so we'll have to watch that very closely. And, again, a reduced ship procurement would -- and a break in a multiyear would cause each follow-on year's procurement of those ships that much more costly. So it's a very inefficient way to approach it.

The results for presence and for both '14 and '15, to kind of summarize, one carrier strike group, one amphibious ready group, each in each theater, Western Pacific and the Arabian Gulf. Our surge will be limited, really, to those that are next to deploy. They'll be ready to deploy with all the capabilities. But the rest of the fleet, regrettably, won't have the capabilities that we would notionally have and that we like to have in our plans to support.

The bottom line for all of this, I would ask you to think about, is the importance of being able to reprogram and being able to balance our accounts. Everything I kind of pass to you is all about an algorithm, a reduction across each account, and we need the ability, if you will, to be able to balance that.

Let me shift to people real quickly and then we'll go to questions and answers. As I mentioned before, they're the foundation of what we're about and what makes your Navy the finest Navy in the world. But we also have civilian shipmates, and regrettably, we're in the -- we're enduring furloughs, and it's an impact. I felt it last week; I feel it this week. Just here at the staff, we feel it all around the Navy here or there.

Civilians are an integral part of our team. And we're committed to finding offsets to limit those effects whenever possible. We're looking at solutions, but it's got to be a Department of Defense-wide solution as we approach this.

We realize there's a financial burden. And it's regrettable. And it hurts our readiness, and it hurts our productivity, as well. And if sequestration continues into '14, we're going to need very closely -- look very closely at that, at furloughs and, in my view, attempt to avoid it as much as feasible.

Lastly, a few words on what I call the challenge of our time, sexual assault. We're in it for the long haul. This is something that we have to resolve, and we will. We will stay at this. I recently released some direction via a naval administrative message and also a letter that I signed out to the -- the director of Supply Corps. And it involved organizational changes to really strengthen our staffs, to make sure that we can coherently run this strategy, our sexual assault strategy, but also provide our afloat staffs and our fleet commanders the sexual assault experts that they need.

So we'll be bringing them in and putting them on their staff. It's to support the awareness element of our program, to support the prevention element of our program, and to support our victim support element of our program.

Now, this will include an expansion of pilot programs that we have run in the Great Lakes and in San Diego with some pretty good success, measurable, tangible success and

reduction of alcohol incidents, behavioral incidents, and sexual assaults, as well. We're going to expand that Navy-wide, and I've directed that to go in place by 1 October across all of the bases in the Navy.

It really involves coming back to shore patrol, like we used to have for years, folks going out and looking in places where our folks are hanging out. It involves roving patrols on the base, just to make sure everything's secure, things are running well. It's a partnership with local law enforcement and businesses, working together in that. And in the end, ladies and gentlemen, it's about ensuring that we have a safe environment for our people that they deserve and a good command climate.

With regard to alcohol sales, I've released a direction to align the sales -- the hours of sales of alcohol and, if you will, the footprint within our mini-marts to align with what's going on in the community, in and around our bases in the continental United States, and also with our exchanges in -- in the Navy and across it. So it's about store footprint and our sale hours. And it's really encouraging responsible use of alcohol and not pushing it out on our folks so hard.

I could talk longer. There's a lot of good things to say about our sailors. I'm very proud of them, as I mentioned to you, based on last week's visit and last night. Our day-to-day presence around the world is making a difference. I see it.

I thank you very much for listening, and I look forward to your questions. Thanks.

Q: Admiral, Bob Burns with AP. A couple quick questions. On that last point you made about alcohol sales, could you elaborate a little bit on the rationale, the connection between the -- as you put it, the footprint and the hours and so forth and sexual assault problem?

And could I ask you quickly to elaborate a bit, fill in the -- fill in the picture a bit on your initial comment about a small increase in piracy in the gulf area? And you said that's become more of a concern. Could you give a few specifics on what the concern is there?

ADM. GREENERT: Sure. Last one first. We're finding increased incidents of piracy, particularly in the northwest region of the Gulf of Oman. This is -- I received this through conversations with my counterparts in the Gulf states, conversations with my counterparts, Pakistani navy, Indian navy, and they're finding they have to spend more time over there.

I don't have some numbers, but I'll look and see what I can do. I would call it an increasing trend, not yet as bad as the Gulf of Aden once was. You know, that's looking pretty good right now, if you will, under control. And -- but it's a concern that we need to keep our eye on.

Why is this happening? Is it the migration of Somali pirates to the north, smugglers turning now to piracy? We need to look into see what that is Bob.

Q: (OFF-MIC) this year (OFF-MIC)

ADM. GREENERT: It's been going on for probably about eight months, so near the end of last year, in toward this year, as it's reported to me.

On your original question, we are finding that somewhere between six out of 10 and seven out of 10 sexual assaults, as reported, involve alcohol, the majority. And they're -- well, they're alcohol-fueled. Looking around at the -- what is the atmosphere, what is the climate on our bases? We come to notice that in some of our mini-marts at some of our bases, the larger ones, the sale of alcohol, the hours were very extensive, midnight or after, starting to very early in the morning. And we said, look, this is not in line with the mainstream.

We also find that a greater percentage of the footprint of the mini-mart -- if I go in -- is high for alcohol compared to something else. And to me, if I go in to get shoe polish or a sandwich or whatever (inaudible) or I want some beer, it should all kind of be requisite, make sense.

Q: You mean their placement within the store?

ADM. GREENERT: Placement in the store, near the front. You know, the footprint percentage in the 20s versus what would notionally be 10. So, Bob, it's not really about saying, okay, we've took this large-scale analytical measurement, as much as, what are we -- what message are we sending here when we do that?

So I said, look, let's do the mainstream here. They're responsible people, but we don't need to be pushing this or perceiving to push it. And that's what it's really about.

Q: Okay, thank you.

STAFF: Courtney?

Q: Courtney Kube from NBC News. Are the markets that you're talking about owned by the bases themselves? Or are they contracted out and they're independently owned?

ADM. GREENERT: The Navy Exchange owns it.

Q: Oh, okay (inaudible) Navy (inaudible)

ADM. GREENERT: Navy Exchanges, yes. And -- and in particular, mini- marts.

Q: Okay. So they're all -- they're all technically owned by the Navy...

(CROSSTALK)

ADM. GREENERT: Yes, they are.

Q: Okay. And then one other question, actually, just a clarification from your opening statement. I think you said that the number of combatant ships has been reduced to zero because

of sequestration.

ADM. GREENERT: In -- in the Southern Command there, that's zero there.

Q: So it's just specifically in Southern Command you were referring to (OFF-MIC)

ADM. GREENERT: It is, yes.

Q: Okay, great. Thank you.

ADM. GREENERT: You're welcome.

STAFF: Sydney (inaudible)

(CROSSTALK)

Q: ... hello, sir. Two sequester-related questions, our favorite topic. One is, you were talking about capabilities we are missing, if we need to, you know, surge ships. Capabilities is a little vague. I presume it means more than, oh, gee, they're not sticker stocked in the onboard vending machines. It's probably a little bit more complicated and serious than that.

And, two, with this reprogramming you have pending, the Air Force got a bunch of grounded squadrons back in the air. Are you guys hoping, planning to have any similar reversals of bad fortune and get things back? You mentioned the ship's maintenance availabilities. And what capabilities have we lost? What can we get back?

ADM. GREENERT: When I speak to capabilities, Sydney, as an example, if you take an air wing, they do air-to-air, they do air-to-ground, they do a whole series of missions that the pilots are qualified to do, typically measured in how many cockpit hours you have in the air, how much you fly.

And so what will happen is, when you are unable to fully fund it and you're called upon, you have to reconcile, what missions will these pilots, in the case of an air wing, be qualified to do and certified to, so that we can report to the theater, hey, you're going to get an all up round in this particular mission in this regard. Similarly, with a destroyer or with a cruiser, what are they certified to do?

So we would have to tailor more, something we don't like to do, because the world is dynamic and they get a pretty big vote in what kind of operations we have, so we will typically certify our people for a range of operations and missions and certifications.

Q: So it's a matter of being trained to -- to standard on the full range of things that you want people to do?

ADM. GREENERT: That's correct, because as you know -- and in the past, we've had that -- a carrier strike group or any of our units can swing theater to theater. Very different --

well, somewhat different series of operations in, say, the Arabian Gulf, the North Arabian Sea versus the Western Pacific versus the Eastern Mediterranean.

STAFF: Dan?

Q: If you could just kind of relate what you said about piracy to sequestration and resources and so on, how -- does that mean that you're not -- the U.S. Navy will not be able to respond to that piracy problem as it might have two years ago or a year ago because of sequestration? And a related question. Could you go over again how U.S. naval capabilities are being affected and will be affected in the gulf, given this -- these budget cuts that are coming?

ADM. GREENERT: The -- the piracy question, the mission of counter- piracy is -- the skill sets involved in that are more inherent in what we do as a Navy who is used to expeditionary operations around the world. So I would tell you, that -- excuse me -- that is a skill set that we can quickly revive and that doesn't concern me as much. In other words, those folks that are in theater, even if called on short notice, I think -- I'm pretty comfortable in their counter-piracy capability.

Now, there is a skill set that is called visit, board, search and seizure. And that's basically coming -- pulling alongside, either through a small boat or dropping through a helicopter, and that's kind of getting high end in that regard. That's a little different. That takes some practice. But typical, counter-piracy reporting, maybe bringing in a law enforcement detachment, we can do that relatively short order.

Your second question, capabilities affected in the Arabian Gulf as we move ahead. Again, it would depend on the mission, and it would depend on the requirements of the Central Command. The broad range of missions that we take there, ballistic missile defense, maritime intercept, sea control, as you mentioned, counter-piracy, all the way up to surface-to-surface missiles, you know, launching, counter- mining, that broad view we have to look at and perhaps tailor by -- by unit, because the units -- because of the money that we receive being so hard to predict out ahead. It would be a little different for each unit, so we have to watch this very closely on who we would send, if called upon in a contingency.

But let me enforce that those that we send over now, those that we'll send over in '14, they will be trained for the full range of missions. I'm right now talking about those that would surge if called upon in a broader contingency. Did I answer your question yet?

Q: Yeah, and then just could you -- again, how do you see the carrier group presence evolving over the next year or two, given -- with sequestration?

ADM. GREENERT: It will be one in the Western Pacific carrier strike group, one in the Arabian Gulf for -- you know, 1-0 [1.0], as we call, it one-one in each theater.

Q: And that's sustainable, even with sequestration?

ADM. GREENERT: For -- through '14, as we currently are aligned in our budget. When

I get into the '14 budget and I get into the details, may have to alter that, but that's -- that's what I see right now in my planning.

Q: Just a follow-up on that, does that mean that this on carrier strike group presence in the gulf in FY '14 is -- does that mean that the Navy relinquishes its goal of 1.7 ratio in the region?

ADM. GREENERT: Well, the relinquishing would be, I guess, a good choice of words. What that -- what we have to do is we came forward and said, "Here is our fiscal situation. Here is our forward presence situation aligned to that fiscal situation. We have to make a choice."

In a given year, we could send 1.7 over, but that money spent on operations this year would be invested there, not in training. It just wouldn't be enough. And therefore, you're mortgaging next year's -- or you're foreclosing, I should say, next year's deployment, because those folks will not be trained, unless somehow you scramble and get money through the year, and that would be high risk.

So these are the -- these are the discussions we had. We had these discussions early this year on the subject of the Truman deployment. And the simple choice was, we can continue the 1.7 and send the Harry Truman or -- but that would be problematic for next year's deployment -- or we could hold that, and it was determined overall that the right decision was -- and it's a deliberate process, Matthew. It's the global force management process, approved by the secretary of defense.

STAFF: Mike Fabey?

Q: Yes, admiral. Let me take you up on your offer for -- to talk more about the Asia Pacific. When we were in Singapore, you were talking about the importance of a small footprint. So now you've been over there, been around, that kind of thing, what have you seen to bolster that or change your mindset? And what do you think about what the partners and allies are bringing to the table over there?

ADM. GREENERT: Well, we were talking aboard the Freedom. Would you put up the Littoral Combat Ship -- the Freedom class, so folks know what I'm talking about? This ship. And that -- that would be small footprint, this ship. I would -- I look forward to eventually evolving to four of these down in Singapore, working with the government on our plan.

So the numbers would be more, but the footprint is small from the perspective of, what do the nations need? What are the capabilities that they're looking for in an ally or a partner? And does that resonate with them? My experience, when over there, that was reassured.

And I'll give you, as an anecdote, I wondered what the conversation would be like when the chief of the Indian navy and the Malaysian navy toured it and came over, two countries that we've had issues with getting port visits, because they say, you guys bring in these big ships and it's difficult to resonate. They immediately said we need to bring this ship down and operate right away. Chief of the Australian navy said, I want to have this thing down at the fleet review here in

October. This is the kind of thing we need in Southeast Asia.

STAFF: (OFF-MIC) question?

Q: Yeah, I wanted to ask you a couple of quick questions, Andrea Shalal-Esa.

ADM. GREENERT: Hi (inaudible)

Q: Hi. So on the issue of quality control, which was a big problem for you in shipbuilding, now it's turned up in the missile defense arena. And I just wonder if there is some push from you to sort of, you know, really crack down on that?

And then I just wanted to ask you on the sequestration effect, you know, Secretary Hagel says that the effect on procurement, the investment accounts, would be 15 percent to 20 percent. That seemed to suppose that the military personnel were going to be exempt, but you suggested that that was still an open question. So I'm curious if you can clear us up on that and what the effect, then, of that 15 percent to 20 percent would be on your shipbuilding plan.

ADM. GREENERT: Sure. Well, on quality control, the Missile Defense Agency is responsible for the quality control of the Ground Based Intercept, which is the missile in question. However, they also built and oversaw the standard missile, which we have, and I would tell you, Andrea, they have a very deliberate and good process to look into quality control and do the investigations to find, okay, what it is about this that caused the booster not to separate?

So my comment on that would be, we have seen this in the past, and it's worked out very well, but I can't speak in detail on the current situation in that -- in that missile.

With regard to...(inaudible).

Q: (OFF-MIC) quality control in military procurement particularly.

ADM. GREENERT: No, I would -- I do not see it in weapons, as tactically, and my experience in shipbuilding has been quality control has been improving consistently, most recently on the San Antonio class, which has done quite well recently on sea trials, objective inspection on sea trials.

With regard to, quickly, on sequestration, as you -- as I said, 10 percent, if you exempt military personnel, you say, well, how do you come to that decision? It's very difficult in a year of execution and suddenly to say, all right, we're going to reduce manpower. Well, that's payroll, so you have to get people off the payroll. And under the current rules and regulations, you have to pay them to depart, especially if it's non-voluntary. You can put in enticers to retire or whatever, or you can involuntarily separate them. That payment precludes much savings and -- and we need the people in the near term.

In the business that I'm in, my people man equipment. We don't have people that get equipment. It's sort of the other way around. And so it doesn't work well with the Navy. In the

end, though, the decision is made by the president to exempt military personnel. You may recall he made that decision last year. He has not made that final decision yet. Therefore, my comment is not final yet.

STAFF: Tom?

Q: Yeah (OFF-MIC)

ADM. GREENERT: Hey, Tom.

Q: (OFF-MIC) next week, the general -- the Government Accountability Office and the House Armed Services Committee will be conducting a hearing on the program, or there will be a GAO report and a hearing. Admiral Hunt, your LCS Council head, will be testifying. Against that backdrop, can you give a snapshot of where you see the program at this point, in terms of cost, schedule and performance?

ADM. GREENERT: The -- I'd say cost, I'm satisfied. They are delivering within cost now. And as you're well aware, we have a block buy. We have a pretty good deal, a fixed cost, and they're performing.

Schedule, we've had some hiccups, particularly in the -- in the Independence class here and there down at Austal, but those have been satisfactorily reconciled for our acquisition people.

And let's see, cost, schedule, performance. They've performed well on trials. We are now going beyond trials, and we're out there in, you know, Southeast Asia, across the Pacific, and you were on Independence, if I'm not mistaken, so you probably got a snapshot of how they felt about performance.

So I would say, you know, performance at delivery, good. And we've had a lot of ship classes come in and do well, performance on delivery. Then you've got to take it out and you shake it down, and you find there are issues. We're finding that.

My view is, what we are finding is not that significantly different from the Perry class of the '60s and '70s, the Spruance class of the '70s, nor even the Arleigh Burke class when it comes to the size and the impact on it. But we need to be vigilant, and we need to follow up, and we have work to do.

Q: One follow-up. One of the persistent issues that's raised is the survivability of the vessel, because in your lexicon, it's built to level one survivability. What can you tell the public, who may be concerned that you're building these half-billion-dollar, single-mission ships, about their ability to survive a combat hit?

ADM. GREENERT: Well, we -- we believe that they should be built to operate and, if damaged in combat, to survive and then to -- to withdraw, if you will. That's the -- that's the design from the very beginning. They have been built and tested to that level. And so far, I'm

satisfied with that.

Tony, I would tell you, as we look around the world and our ability to understand the threat around the world, there aren't many vessels -- in fact, I don't know of any right now, perhaps a submarine operating in that interesting (inaudible) by itself, where you can say -- you can go out there and be very much on your own in all threat environments.

There isn't really even an Arleigh Burke that I would say you just go anywhere you -- anywhere in the world and you will be able to encounter all kind of threats. My point is, we have to be vigilant and smart where we deploy this ship, and that includes understanding its survivability, capabilities.

STAFF: Grace?

Q: Morning, admiral.

ADM. GREENERT: Morning, Grace.

Q: (OFF-MIC) good to see you again. I was wondering if you could elaborate a little bit more about Spearhead and the role it's going to play in (inaudible) I think you mentioned FY '14 deployment. What are the plans? And how are you going to contend with situations like we saw this week in Panama, with (OFF-MIC) North Korean ship, and given that Spearhead is crewed by civilian mariners? Is there kind of a plan for -- for situations like that?

ADM. GREENERT: Sure. Well, I really have to defer on the details of the North Korean merchant ship and all that. That's a whole other issue. But I'd like to talk about the Spearhead.

Would you put the joint high speed vessel up so folks know? And go to the next one, please. Just show the internals. So here's the internals. One more. There's a lot of troop capacity here. One more. Okay, we're back to that. Then go to the one showing it at sea.

So you see a high-speed catamaran. She'll be available, and this -- this can get around. It's very nimble, as well. It has, as you saw, a lot of volume. It has -- you saw the troop carrying capacity, but behind that is also a backbone to do command-and-control for things like counter-piracy, maritime security. You can put, as I've -- as you see the seating, a law enforcement detachment onboard.

And so we have sat down -- in fact, Tony mentioned earlier the Littoral Combat Ship Council. They've taken a look also at the Joint High Speed Vessel from the perspective of, how is it performing? Can it do more? And we say, yes, it can. And the kind of missions that SOUTHCOM (Southern Command) is looking for, theater security cooperation, being able to move in and teach other countries things that they're interested in, and then do maritime law enforcement, this ship resonates with it. And I think it's going to be great out there. It's showing very good in that regard.

Q: Admiral, you said you had to defer on the issue of the Panama -- who would you defer

that to? Can you -- can you say anything?

ADM. GREENERT: I would ask -- SOUTHCOM.

Q: You can't give us any read on -- it's several days out -- on your -- your idea...

(CROSSTALK)

ADM. GREENERT: I -- I know what you read and maybe have written.

STAFF: Chris?

Q: Admiral, Chris Cavas with Defense News. To follow on Sydney's question about the Air Force, the Air Force has asked Congress for permission to move some money around. They moved a big chunk of money around. They restored a lot of flying hours. The Thunderbirds are flying again.

Have you done anything like that? Are you trying to do anything like that, to move a block of money to restore either sea operations for training or air hours? But can you move a big chunk of money like that? And why not (inaudible)

ADM. GREENERT: We have a reprogramming request. I had just a small bullet on that in my remarks, and what I was referring to was really ship availabilities. That's my Pri-1 [Priority One], Chris. I have about eight of them that I really want to get done this year, to be -- because they support '14 and '15 deployments.

Also behind that are operations. And it's about our air wings. And I want to get out of -- get above tactical hard deck on some of our air wings that will be approaching, going into their work up for deployment. I want to get them closer to where they would notionally be on their work up.

So tactical hard deck is -- I think it's about 11 hours a month, a pilot or crew. I want to get that above. And there's a request for operating funds this year, in that reprogramming to do that.

STAFF: Sandra?

Q: Thank you.

ADM. GREENERT: So I'm asking the same thing, effectively, as the Air Force.

Q: Okay.

Q: Thank you. Sandra Irwin with National Defense.

ADM. GREENERT: Hi, Sandra.

Q: Admiral. I wanted to ask on sequestration (inaudible) and you have no prior (inaudible) you have lots of ships under contract. Are you considering canceling contracts? Or how will you take (inaudible) cancel contracts?

ADM. GREENERT: It's a good question. What we need to do and what we're doing is, you sit down and you look at the contract, and what have you contracted -- specifically have you contracted to do? What's in each line item? And how much does that cost? Is it feasible, for example, to -- when you build a ship, for example, you get the ship, you get documentation, you get some ancillary gear, and you get some support, and you actually get some outfitting spares to get you through the first number of years until industry, who you contract for can procure the spares into the future.

So you say, all right, can we continue -- can we keep this under contract at what might be 14 percent less than we had originally in the budget and then deal with as you're building the ship, deal with it maybe later? Is that feasible? And we will do that with each of the builders. That's a notional example. It's not precise, but it's notional.

These are the things that we'll have to do. Some of the things we buy have that sort of flex into them, and some of them don't. And if they don't, we'll lose the unit. And if you lose the unit, all the other ones in the contract, that price will go up accordingly.

Q: Do you think, if you have sequestration in 2014, the goal of having 300 ships by the end of the decade, is that pretty much the goal?

ADM. GREENERT: I would be hard-pressed to say it is out. If we can retain the ships under contract in that multi-year that I mentioned before, where each one costs significantly less because you're buying them in bulk, if you will, or in larger quantities, if we can't, then those -- those multi-years sort of unravel. The unit price goes up. You have less money, and this just starts spiraling down. If sequestration continues beyond '14, I'm pretty confident that it would be -- we would not be able to meet those goals. That's too much at \$50 billion a year.

STAFF: (OFF-MIC)

Q: Yes, I'd like to ask about logistical operations. Can you -- can you talk a little bit about how sequestration this year and the likelihood of it next year affects, you know, food, fuel, and supplies, getting that to deployed assets? I mean, for example, is Military Sealift Command having -- having, you know, any issues with supplying ships that are at sea right now?

ADM. GREENERT: No, Chris, I can't say that we've had -- none of -- none of that has caught my eye. Now, we have a transportation bill, and we have a logistics bill, if you will, and that's a contract. So we look at that very closely upfront, so that we don't default on contracts.

And Chris Cavas asked a bill about -- question, excuse me, about reprogramming, as part of our reprogramming. That was a piece of it, to ensure that we met our legal and contractual commitments that -- that sometimes change through the year, for the reasons you've said.

Q: Thank you, Raghubir Goyal, India Globe and Asia Today. My question is that now vice president is going to India and Singapore. He will be there next week on Monday in India, and then up to two days in Singapore. My question is, how much threat do we still have in the -- in the region from China, Chinese navies, because India and China always, you know, in the region?

And also, when -- vice president also said yesterday, like you said today, that rebalancing the Asia Pacific, what does it mean, really, rebalancing? What India -- what are you expecting from India to do in the future? And also, if there's a -- how much is going on between U.S. and India, as far as Navy, your operation is concerned in the Indian Ocean?

ADM. GREENERT: Well, I'll start at the closest and get to the furthest away and see if I get your questions right. First, our exercise program with India is -- the culmination is an exercise called Malabar. And that exercise has gone from two ships going by doing flashing light and lifting flags, probably about a decade ago, to coordinated operations, carrier air wing and carrier air wing and under sea. And that's when -- that's when you hit the big time, when you can work with a partner under the water and ensure yourself -- you're not going to run into each other, and we are at that level with the Indian navy.

So that exercise retains itself. We had to de-scope it some, because of each of our issues with -- but -- but we've kept the exercise and we've kept it as high-end and complex. It just may not run as long. So I'm comfortable at that level, and we try to work to the level that both -- resonates with both our navies. With regard to China and our relations, you know, we're -- I like the trend we're on right now and -- and working toward and, in some cases, getting some tangible outcome of working together. So let me give an example.

There was an exercise in June, where the -- that Brunei hosted. We brought an auxiliary ship. China brought their peace ark ship, their hospital ship. Others brought ships. We operated together a humanitarian assistance, disaster relief scenario, doing command -and- control together, doing the proper protocols at sea, and we agree, this needs to continue.

China is going to join us in RIMPAC, Rim of the Pacific '14 exercise, and we had our -- you have three meetings before one of those large exercises, initial, middle and final. China came for the -- to the initial planning conference ready to go, had their agenda, and we have Russia planning to come, Japan, Korea. It's big. We had 22 nations, and we think this one could be -- in the last one. We think this one could be bigger.

So we want to keep that momentum going. I am meeting with my chief of the Navy counterpart, Chinese navy, Wu Shengli, Admiral Wu Shengli here in September. He's coming to the U.S., and we're going to share insights on things. And we agree, we need a protocol at sea to be comfortable, talking to each other, interoperating when appropriate and when it makes sense, and understanding that these territorial disputes have to be done peacefully, and we've got to eliminate miscalculation.

Q: Finally, sir, is vice president taking any message from this building to India, as far as

the U.S.-India relations in your (inaudible) military-to-military or navy-to-navy?

ADM. GREENERT: Navy-to-navy, I would say, solid and growing.

Q: (OFF-MIC)

Q: Admiral, can I ask you about the situation in the Arabian Gulf? What kind of activity are you seeing on the part of the Iranian navy, the Iranian Republican Guard on the seas there? And especially now that you have a reduced carrier role there.

ADM. GREENERT: The -- I would call it notional. I would call it more historical, say, over the last -- historic notionally, as it has been over the last five years, average. And you would say, "Well, what does that compared to, say, last January?" And I'd say, "Much lower, with regard...

Q: Has there been an increase or down-tick because of reduced carrier presence at all?

ADM. GREENERT: I -- from what I have seen and kind of looked at that, I didn't see that the carrier presence impacted the activity level of either the Iranian navy or the IRGC [Army of the Guardians of the Islamic Revolution].

STAFF: The gentleman in the back row?

Q: (inaudible) military.com.

Zero shift in SOUTHCOM. When was the last time that happened? And General Kelly's been pretty emphatic on several occasions about the lack of a Navy presence. All that means is that more drugs come north; more drugs flow to east Africa where they find Al Qaida elements. Is there anything the Navy can do in the way of a backup without the ship presence?

ADM. GREENERT: Yeah, that's a good point. And the answer to that is yes. As I kind of caveated, that is zero combatant ships today. It will undulate, as we are going to -- we have a frigate that will soon deploy down south. We would -- we notionally, though, have two to three combatant ships, but we also have leased vessels that operate down there. We will -- in the future we'll have patrol craft. And these don't count in our combatant ship inventory. And so, therefore, the caveat. We have other forces that operate down there, though. We have our maritime patrol aircraft operate down there. We operate with the Coast Guard. There are other international navies. But I'm not trying to tell you there isn't reduced presence. There's reduced presence there. And we need to find innovative ways to help General Kelly out, to do the job at hand with the forces that we have and with the budget that we have.

And therefore, I wanted to bring to your attention the fact that the Spearhead in fiscal year '14 is going to be one piece of that -- that future approach to be more innovative and use all of our skill sets.

Q: When was last time you have zero combatant ships?

ADM. GREENERT: I don't know. I'll have to follow up on that for you. Danny will take care of that.

Q: Sam Fellman of the Navy Times.

Admiral, Secretary Hagel has asked for a 20 percent reduction in top-level staffs over the next few years. How is the Navy going to carry this out and how will this affect the number of flag officers?

ADM. GREENERT: Well, Sam, it's separate from the number of flag officers. We are on a, if you will, a trend or plan that really goes back to what Secretary Gates provided to us on reduction in the number of flag officers. For us, we will go from 235 to 210 in our inventory of flag officers. And we're in the process of doing that. Our last two admiral selection boards have reflect that accordingly, where our selectivity rate was dramatically lower.

We're also in the process and just about done with a reduction in the number of positions that we have, I mean, where you will assign these flag officers. If you reduce the number of flag officers, you've got to reduce the number of billets. And we found that we had too many billets. We had more billets than we had inventory of flag officers.

And so you'll see in about, I'd say, in about three weeks, we'll describe how that changes, where we will take positions; probably close to 40 positions that we'll probably roll down, either canceled or rolled down to an O-6 position, a senior executive service -- some other approach. But two issues there: the flag inventory, the number of billets.

The headquarters staff -- we'll review the work done at each of our headquarters' staffs and we'll start at about the three-star level -- our number of fleets, our type commanders out there. We'll look at those and our regional commands and we'll see what missions, functions and tasks to they do; which can be either deferred, done more efficiently for a more efficient organization; or we'll say we're not going to do this anymore. That's how we'll answer that -- that most recent mandate.

STAFF: We're just about out of time. Go ahead.

Q: Okay. Sir, (inaudible), People's Daily China.

I'm sorry, I have to pull back to a more macro question here. Since my Indian colleague mentioned about, you know, Asia, China and Asia. So, actually you were speaking about the budget cutting problem. So I just wondered, will there be any impact on U.S.-Asia strategy?

And I can recall that a few days back, you were speaking regarding -- regardless of the budget situation, that Navy is prepared to make a shift to Asia. Could you please elaborate a little bit?

ADM. GREENERT: Sure.

So, I'll speak to it as the rebalance. And that -- that's the plan that I have in the Navy, we have in the Navy.

There are four aspects of that. One are forces, and that's aircraft and ships.

And that -- could you put the -- the Navy tomorrow slide up here?

If you look at the -- you know, this is, you can call it '14 to '20, in our current budget, these are the number of ships. Some of those are non-rotational, they're out there, forward stationed.

So the difference between non-rotational and tunnel are those that we rotate out -- deploy. All right?

So you see the growth.

We won't be able to keep up at that rate if we are sequestered, if you will, through the FYDP [Future Years Defense Program].

But we have today 55 ships under contract. Now, these contracts can be perturbed, and we had that discussion here during this session. But many of them are -- are well along their way.

So they're going to come in. So these numbers, especially in the western Pacific are going to go up. Okay? It's not budget proof, but it's budget resistant, is kind of the term I use in there.

So next will be our aircraft. And that'll be affected by our ability to deliver -- test and deliver our aircraft. And that's a function of sequestration, getting our budget approved, authorized and appropriated by Congress.

Number two, we're going to shift to the -- our home force to a 60-40 distribution, west and east. That is on track, but slowing down. So what slows that down? Delivery of ships, where we would, after delivery, send them to a West Coast port. And also a ship in overhaul, those have been slowed down. When they come out of overhaul, we would tend to move them to the West.

So we're in about a 57-43 right now. We want to get to a 60-40.

Third is -- is capability. And that's really, truly a function of getting new stuff completed, such as electronic attack, new weapons, new sensors. And the budgetary changes will impact that.

But our benchmark in all of those remains the western Pacific. That's -- and the capabilities needed.

Lastly is intellectual capacity. I mentioned descopeing some exercises, such as (inaudible) and there are others. But -- but we are focused on doing the right exercises. And I mentioned the exercise in Brunei. That's a new initiative. We will continue to look for those opportunities.

We brought the Freedom, she's in Singapore. She's out there operating. So there's a lot of interest in that kind of platform and what it can do.

And we have to continue to -- to reprioritize as appropriate, so we're hitting the right buttons in exercises with our partners and potential partners.

Q: How about the south China Sea area?

ADM. GREENERT: What about it?

Q: South China Sea like what -- any -- any strategy?

ADM. GREENERT: That strategy there is -- I've kind of mentioned it before -- talk, agree, get toward a protocol -- I call it a protocol, you call it a code of conduct. You can call it how we're going to interoperate if we have unexpected clashings -- actually an acronym for that I'll save you from.

But it really is about getting more and more in accordance with our strategy mil-to-mil engagement with -- with PLA and the PLA and in -- again, for me, I really look forward to meeting with Admiral Wu Shengli and getting down to some brass tacks on what we can do.

Q: Again, just quickly, your -- your predecessor has written a book review where he was suggesting that if the present budget fiscal pressures continue and the present plans stay in place, that the U.S. naval presence that has been so dominant for so long all around the world is threatened over the long term. That there -- that there's a very worrisome trend.

Is that too negative, too pessimistic in your view?

ADM. GREENERT: Well, I frankly don't know all the underlying assumptions he used, but if one were to use an assumption -- you take sequestration for 10 years, that is a -- a worrisome trend when you look at the requirements we have today for my force structure assessment -- 306 ships -- and the requirements that the global combatant commanders have today. And reconciling that will be very difficult.

Q: So you're concerned over the long haul, over several years, what happens to the U.S. naval -- Navy's reach and...

(CROSSTALK)

ADM. GREENERT: Well, as a service chief, I worry all the time. It's my primary job.

So -- but what we have to do is reconcile with the -- what kind of Navy can we deliver in

this kind of -- with this kind of funding and what do we want to do -- what do we expect that Navy to do?

And these are deliberations that we are having today. And you -- you're all familiar with the -- a strategic concept management review. Those were various scenarios looking into the future that we -- we collectively provided for the secretary of defense.

And given a set of scenarios, this is the reality for a fiscal set of numbers that -- that you would have.

And so, he was able to then get a snapshot based on, again, a certain set of assumptions.

You can change the assumptions. You can, you know, manipulate the requirements differently, and that's what we have to do as we work through this as joint force.

Q: Admiral, do you have any follow-up (inaudible)?

ADM. GREENERT: Well, thanks again for today. Thanks for your support for our sailors, especially these little -- like these -- they're not little -- the big awards that you sometimes provide for them.

We talk a lot about, again, the budgetary piece and all this technical (inaudible). Remember, we're all underwritten by an all-volunteer force of kids that are just amazing out there. So, feel good about it, because they're all right. We're going to be all right.

Thanks again.